

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL

DATE: APRIL 6, 2012

SUBJECT: IDAHO POWER'S APPLICATION TO DETERMINE PRUDENCY OF
2011 DSM EXPENDITURES; CASE NO. IPC-E-12-15

On March 15, 2012, Idaho Power Company applied for an Order establishing that it prudently incurred \$42,641,706 in Demand Side Management ("DSM") expenses in 2011. Application at 1. The Company asks the Commission to process the Application under Modified Procedure. *Id.* at 7.

THE APPLICATION

The Company says it has implemented or manages a wide range of opportunities for all customer classes to participate in DSM activities, consistent with the Commission's direction that the Company pursue DSM programs to promote energy efficiency. The Company says it uses DSM programs to (1) provide customers with programs and information to help them manage their energy usage, and (2) achieve prudent cost-effective energy efficiency and demand response resources to meet the Company's electrical system's energy and demand needs. Idaho Power consults with an Energy Efficiency Advisory Group that provides a broad range of recommendations, including input on new program proposals, modifications to existing programs, and overall expenditures of DSM funds. *Id.* at 2.

In this case, Idaho Power seeks a determination that it prudently incurred \$35,623,321 in Idaho Energy Efficiency Rider expenses and \$7,018,385 in Custom Efficiency incentive expenses, for a total of \$42,641,706 in DSM-related expenses. The Company notes that since the Energy Efficiency Rider was implemented in 2002, Idaho Power has steadily increased the breadth and funding level of its DSM activities. The Commission found the Company had

prudently incurred cost-effective DSM-related Rider expenses of \$29 million from 2002 and 2007. *Id.*, citing Order Nos. 30740 and 31039. Additionally, the Commission approved DSM-related Rider expenses of \$50.7 million from 2008 and 2009. *Id.*, citing Order No. 32113. Further, the Commission found the Company prudently incurred cost-effective DSM-related Rider expenses of \$41.9 million in 2010. *Id.*, citing Order No. 32331.

The Application says that in 2011, the Company continued its DSM programs to increase participation and facilitate energy savings. The Company currently offers 17 energy efficiency programs (16 of which are cost-effective; the Home Improvement Program is not), 3 demand response programs (all of which are cost-effective from a long-term perspective; the A/C Cool Credit program was not cost-effective for 2011, however), and several educational initiatives. It also offers savings to customers through market transformation programs. *Id.* at 3-4. The Company notes that overall, energy savings from Idaho Power's efficiency activities in 2011 totaled 179,424 MWh. *Id.* at 3.

The Application attaches the Company's 2011 DSM Annual Report. The Report provides detailed cost-effectiveness information by program and energy savings measures as well as detailed financial information separated by expense category and jurisdiction. *Id.* at 5. The Company uses four cost/benefit analyses to determine cost-effectiveness of the programs: the total resource cost perspective, the utility cost perspective, the participant cost perspective, and the ratepayer impact measure. *Id.* The Report also contains an evaluation section that includes the Company's evaluation plans, copies of completed program evaluation reports, research reports, and reports completed by the Company or third parties. *Id.* The Report contains specific information for each program, including its 2011 activities, a section on customer satisfaction and evaluations providing an overview of process, impact, and market effect evaluations. *Id.* at 6.

The Application says that independent, third-party consultants provide impact and process evaluations to verify that program specifications are met, recommend improvements to the programs, and validate program-related energy savings. *Id.* at 7. During 2011, impact evaluations were completed on eight programs and process evaluations were completed on two programs. Third-party consultants conducted eight of the evaluations. *Id.*

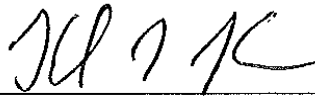
Based on the information provided with its Application, Idaho Power requests that the Commission issue an Order designating the Company's expenditure of \$42,641,706 in 2011 as prudently incurred DSM expenses. *Id.* at 8.

STAFF RECOMMENDATION

The Company requested that its Application be processed by Modified Procedure. Staff recommends that Idaho Power's Application be processed by Modified Procedure with a 60-day comment period, followed by a 14-day reply comment period.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Modified Procedure providing for a 60-day comment period, followed by a 14-day reply comment period?



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